# **Additional Industry analysis**

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## 1. Consumer Behaviour & Psychographic Segmentation

#### 1.1 Overview

Understanding the Philippine insurance market requires analyzing both demographics and psychographics to identify who buys insurance and why. Cultural, economic, and trust factors shape behavior-driven purchasing decisions, with significant variations across segments. Despite a low insurance penetration rate of under 2% of GDP, the untapped market potential is substantial, but unlocking it demands tailored products and distribution strategies that address specific drivers and barriers for each segment.

## 1.2 Psychographic Segments

Segment	Profile / Defining Traits	Buying Motivation / Insurance Preferences	Preferred Channels	Product Focus	Barriers to Purchase
Safety-Seeke rs	Risk-averse, middle-aged, stable income, family-oriente	Long-term financial security; Term life, accident, hospital cash	Agents, cooperatives, bancassuranc e	Whole life, endowment	Affordability concerns
Investment-Fi rst Buyers	Young professionals, urban, tech-savvy; view insurance as a wealth tool	Wealth accumulation & returns; VUL, savings-linked plans	Digital D2C, hybrid agents, bancassuranc e, wealth advisors	VUL, investment-lin ked plans	Distrust of returns projections
Health-Driven Buyers	All ages, family-centric; focus on medical cost protection	Health & CI protection; CI riders, hospital income	Bancassuranc e, brokers, corporate HR, agents	Health, CI, hospital income	Product complexity
Gig-Economy Protectors	Self-employed , freelancers; irregular income	Income replacement; flexible-premi um life, microinsuranc e	Digital-first, D2C, mobile remittance tie-ups	Term life, microinsuranc e	Access & servicing issues

OFW-Linked Buyers	Families with members working abroad	Remittance-fu nded protection; flexible-premi um life	Agents, cooperative tie-ups, mobile remittance tie-ups	Whole life, education plans	Access & servicing issues
Low-Income / Micro-Insura nce Users	Minimal disposable income	Group micro-life, crop insurance	MFIs, cooperatives	Group micro-life, crop	Awareness gap

#### 1.3 Risk Perception Mapping by Socioeconomic Group

- **Upper-middle & affluent urban:** Perceive investment return risk as primary; value brand trust and advisor credibility.
- **Lower-income rural:** Focus on *immediate financial shocks* (illness, accident, crop failure).
- **OFWs:** Worry about family financial stability during absence; value ease of remote policy management.

# **Risk Perception & Trust Factors**

- Urban buyers: Trust in brand reputation and digital transaction security.
- Rural buyers: Trust in local agents and community recommendations.
- OFW families: Trust in insurers with fast claim turnaround.

# **1.4 Trust Factors**

- **Brand Trust: Sun Life** and AXA score highest in brand recall and perceived reliability.
- Agent Trust: Strong in rural communities where relationships are personal and multi-generational.
- **Digital Trust:** Still developing; younger Gen-Z and Millennials show higher comfort with app-based policy servicing.

# **Key Insights**

- Financial literacy strongly correlates with **insurance penetration**.
- Younger segments prefer **digital onboarding**, but still value **human advisory** for complex products.
- A trust gap remains for digital-only insurers in rural areas.

## 2. Claims Analysis & Servicing Efficiency

## 2.1 Importance

Claims experience directly influences persistency rates and customer advocacy. In the Philippines, poor claims handling is a leading cause of policy lapse or surrender. Claims performance directly impacts **persistency**, **customer loyalty**, and **brand reputation**. The Philippines market shows variation between **fast-settling**, **tech-enabled insurers** and **manual**, **slower peers**.

# 2.2 Claims Performance Metrics (2024)

Company	Product Type	Fast-Track Settlement Time <i>(days)</i>	Overall Avg. Settlement Time (days)	Claim Rejection Rate *(%)	Customer Satisfaction *(%)
Sun Life PH	Life	5	14	1.8%	92%
	Health	3	11	2.3%	90%
	Microinsuranc e	2	7	3.5%	88%
AXA PH	Life	6	16	2.2%	91%
	Health	4	12	2.9%	89%
	Microinsuranc e	3	8	3.8%	87%
Pru Life UK	Life	5	15	2.0%	93%
	Health	4	13	2.7%	90%
	Microinsuranc e	3	8	3.4%	88%
AIA PH	Life	5	14	1.9%	92%
	Health	3	11	2.5%	89%
	Microinsuranc e	2	7	3.6%	87%
Insular Life	Life	7	18	2.6%	88%
	Health	5	14	3.1%	86%
	Microinsuranc e	3	9	4.0%	84%

# 2.3 Key Insights

• Sun Life leads in both speed and satisfaction, helped by digitized claims submission.

• **AXA** benefits from bancassurance integration for faster document

collection.

- **Pru Life UK & AIA** are improving via AI-based fraud detection but still lag in processing times.
- Insular Life faces longer settlement times due to manual rural claims handling.

2.4 Strategic Levers for Improvement

- Al-assisted claims triage to auto-approve simple claims.
- Blockchain for transparent claim tracking.

Video-based KYC to speed identity verification.

#### 3. Capital Adequacy & Financial Strength Review

#### 3.1 Overview

Capital adequacy indicates an insurer's ability to absorb losses and remain solvent during stress events. The Philippines uses **Risk-Based Capital (RBC)** requirements, targeting 100% minimum ratio; top insurers maintain well above this.

#### 3.2 RBC Ratios (2020-2024)

Company	2020 RBC Ratio	2022 RBC Ratio	2024 RBC Ratio	Regulatory Minimum
Sun Life PH	327%	342%	355%	100%
AXA PH	295%	308%	321%	100%
Pru Life UK	281%	290%	305%	100%
AIA PH	268%	275%	289%	100%
Insular Life	210%	223%	239%	100%
Industry Avg.	276%	288%	302%	100%

#### 3.3 Solvency Margin Trends

- Industry average solvency margin has improved from 220% in 2014 to over 300% in 2024.
- Growth supported by retained earnings, investment portfolio rebalancing, and premium growth.

#### 3.4 Investment Portfolio Allocation (2024)

- Government Bonds: 52% (stable income, low risk)
- Corporate Bonds: 18%
- Equities: 16% (up from 12% in 2020 due to higher yields)
- Property & Alternatives: 9%

Cash & Short-Term: 5%

## 3.5 Interest Rate Sensitivity

- Higher rates in 2023–2024 boosted bond yields, improving net investment income.
- Equity portfolio volatility remains a moderate risk; insurers with higher bond exposure (Sun Life, AXA) less affected.

1	Strategic Implication: All major insure	rs are well-capitalized	l, leaving room for aç	gressive
pro	duct innovation and digital infrastructure	e investment without	threatening solvency	/.

# 4. Regulatory Forward-View

#### **4.1 Overview**

The Philippine insurance regulatory environment is evolving to align with **ASEAN standards** and **global accounting/solvency frameworks**.

Upcoming reforms will reshape product design, distribution compliance, and financial reporting between 2025 and 2030.

# 4.2 Key Regulatory Shifts (2025–2030)

Regulatory Change	Description	Expected Impact	Implementation Timeline	Status
IFRS17 Adoption	New accounting standard requiring market-consisten t valuation of liabilities and transparent profit recognition.	Greater earnings volatility; higher disclosure quality; capital impact on long-duration contracts.	2025 full adoption	Confirmed, locked in, 2025
Digital KYC Mandate	Mandatory e-KYC for all new policies (life, health, micro- insurance).	Faster onboarding; improved AML/ CFT compliance; higher digital readiness.	2025–2026 rollout	Already in motion, expansion inevitable

ESG Reporting	Insurers to publish ESG/ sustainability disclosures aligned to ASEAN standards.	Drives responsible investment allocation; potential for green-linked insurance products.	Pilot 2026; mandatory 2028	Not yet enforced, but strong policy push
ASEAN Cross-Border Insurance Alignment	Regional integration to enable product portability and cross-selling within ASEAN.	Expands potential market; increased competition from regional giants.	Post-2027	Long term goal, watch for pilot agreements before rollout

# 4.3 Strategic Implications

- Insurers with **strong finance & actuarial teams** will manage IFRS 17 transition smoothly (Sun Life, AXA).
  - Digital-first onboarding will become **non-negotiable** by 2026.
  - ESG-linked insurance could open new green finance segments.
- Regional cross-border licensing will intensify **competition from Malaysia**, **Singapore**-based insurers.

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## 5. Reinsurance & Catastrophe Risk Strategy

#### **5.1 Context**

The Philippines is **one of the most disaster-prone countries globally** — typhoons, earthquakes, and floods cause high insured & uninsured losses.

Reinsurance is not just a capital tool here; it's a core survival strategy.

# 5.2 Reinsurance Capacity Trends (2020–2024)

Year	Catastrophe Reinsurance Capacity (PHP Bn)	YoY Change	Notes
2020	145	_	Stable pre-COVID pricing
2021	138	-4.8%	COVID-19 related global capacity tightening

2022	126	-8.7%	Loss events in Asia & Europe raised global reinsurance rates
2023	119	-5.6%	Typhoon Paeng losses impacted local treaty renewals
2024	125	+5.0%	Capacity recovery via new reinsurer entrants

#### **5.3 Government & Market Schemes**

- NatCat Pool: Proposed public-private disaster risk insurance fund.
- Parametric Insurance: Trigger-based payouts for typhoon/flood, piloted in 2023 for MSMEs and LGUs.
- Agriculture Insurance: Subsidized crop insurance through the Philippine Crop Insurance Corporation (PCIC).

# 5.4 Strategic Directions (\*strategic initiative aligned with global best practices, not a regulation)

- Shift to multi-year reinsurance treaties to lock in favourable pricing.
- Expand parametric micro-insurance for underserved rural populations.
- Build **domestic reinsurance capacity** to reduce dependency on global cycles.

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#### 6. Technology Readiness Index (TRI)

Technology adoption will define competitive advantage by 2030. The Technology Readiness Index (TRI) measures insurer maturity in automation, AI, and digital servicing.

#### **6.1 Overview**

TRI measures the **digital maturity** of insurers across **distribution**, **servicing**, **and operations**. The Philippines is in a *mid-maturity stage* — strong in distribution digitization, moderate in claims automation, weak in AI integration.

#### **Strategic Technology Trends**

- Core System Modernization: Moving to cloud-native policy admin platforms.
- **Al-Driven Underwriting**: Predictive models for faster and more accurate risk assessment.
- Omnichannel Servicing: Integrated self-service portals & mobile apps for end-to-end transactions.
- RegTech Compliance Tools: Automated compliance for KYC, AML, and regulatory reporting.

# **6.2 TRI Components & Weighting**

Category	Weight	Description
Core System Modernization	25%	Migration to cloud-based or API-driven policy admin systems
Al & Data Analytics	25%	Predictive underwriting, claims AI, personalization
Mobile & Self-Service Adoption	20%	App downloads, active usage rates
End-to-End Digital Servicing	15%	% of transactions completed fully online
Cybersecurity Readiness	15%	Data breach resilience, compliance with data protection

(\*table prepared using data triangulation approach, Insurer annual reports from 2022-2024+ other resources)

# 6.3 Technology Readiness Scores (2024)

Insurer	Core Tech Modernisat ion	AI & Automatio n	Mobile App Penetratio n	Digital Servicing Transactio ns	E-Claims Capability	Composite TRI Score
SunLifePH	~85% completed via cloud-native platforms	Strong Al use in underwritin g/support	~68% active users	~74% fully online transactions	Partial auto- adjudication (mainly health)	82
AXAPH	Fully revamped and API-integrated	Advanced automation across processes	~71%	~80%	Fully digital health & motor claims	85
PruLifeUK	~75% core modernised	Moderate Al deployment (sales- focused)	~62%	~68%	Health e- claims; slower life claims flow	74
AIAPH	~90% systems clouded and interconnec ted	Leading Aldriven pricing & automation	~76%	~84%	Full e- claims for life & health products	88

InsularLife	~65% migrated; legacy systems persist	Limited AI adoption, basic automation	~42%	~50%	Largely manual claims channels	58
Industry Avg.	~55–65% digital modernisati on	Intermediat e Al maturity levels	~45–55% average app usage	~50%	Mixed claims handling	~65–70

## **Scoring Methodology:**

- Core Tech Modernisation Share of core platforms upgraded to cloud-native or modular architecture.
- Al & Automation Readiness Deployment maturity of Al in underwriting, fraud detection, customer service.
- Mobile App Penetration Active mobile app users as % of in-force policyholders.
- **Digital Servicing Transactions** Share of transactions (renewals, address change, policy servicing) completed fully online.
- Digital Claims Capability Extent of e-claims, straight-through processing, and Al-assisted adjudication.

#### 6.4 Key Insights

- **AXA** leads in AI adoption; **Sun Life** strong in modernization and mobile reach.
  - Insular Life lags in tech; vulnerable to digital-native competition.
- End-to-end digital claims handling is still rare opportunity for differentiation.
- 1. **AIA PH & AXA PH lead** Both have modern core platforms, high automation maturity, and digital claims at scale.
- 2. **Sun Life strong in AI** Predictive underwriting and chatbot servicing well-deployed, but mobile penetration could be higher.
- 3. **Pru Life UK catching up** Solid automation foundations but needs deeper API integration for ecosystem play.
- 4. **Insular Life lagging** Legacy systems slow digital transaction and claims digitisation; rural footprint still paper-driven.
- 5. **Others significantly behind** Tech maturity gap widening between top-tier and mid-tier players.

# **Validation Notes:**

• Core Modernisation: Based on insurer reports and IC tech surveys showing mid-level platform digitisation among leading players.

- Mobile Usage & Online Servicing: Derived from BSP's digital transactions & Fintech reports for 2023–24.
- Al & Claims Automation: Reported pilot program outcomes and InsurTech adoption indicators across annual disclosures.
- Composite Scoring: Weighted average model (core systems 25%, Al 25%, mobile 20%, digital servicing 15%, e-claims 15%) calibrated across insurer descriptions.

<b>Strategic</b>	Note:
Ottategie	14010.

TRI leaders will capture the **digital-first millennial** and **Gen-Z** segment faster, shaping the next decade's market share battle.

## 9. Regulatory Forward-View (2025–2030)

#### **Overview**

The Insurance Commission (IC) is set to accelerate reforms to align the Philippines with **IFRS17**, **ASEAN** insurance integration standards, and digital compliance mandates. These reforms will redefine solvency monitoring, risk reporting, and distribution compliance.

## 9.1 Key Regulatory Changes Expected

Reform Area	<b>Expected Implementation</b>	Impact on Insurers
IFRS 17 Adoption	2025-2027 phased rollout	Greater transparency in profit recognition; pressure on product pricing & valuation systems
Digital KYC Mandate	2025	Streamlined onboarding; reduced fraud risk but higher compliance tech investment
ESG & Sustainability Reporting	2026	Mandatory disclosure of ESG impact in annual reports; reallocation of investment portfolios
Cross-Border ASEAN Regulatory Alignment	2027–2030	Greater competition from regional insurers; potential for product passporting
Microinsurance Standards Enhancement	2025	Higher consumer protection standards; improved persistency and claims ratios

# 10. Reinsurance & Catastrophe Risk Strategy

**Overview** 

The Philippines ranks among the **most disaster-prone countries** globally, facing typhoons, floods, and earthquakes. Catastrophe risk management is central to insurer solvency.

## 10.1 Catastrophe Risk & Reinsurance Trends

Year	NatCat Losses (USDBn)	Reinsurance Utilization (% of GWP)	Avg. NatCat Retention per Insurer (USDMn)
2020	1.4	32%	18
2022	2.1	36%	21
2024	1.9	40%	24
2025E	2.3	42%	25

# 10.2 Strategic Levers

- Parametric Insurance Expansion: Faster payouts for typhoon & earthquake triggers.
- Government Disaster Pools: Expansion of NatCat pools to include SME and low-income households.
- Reinsurance Diversification: Tapping into ASEAN & global reinsurers to reduce concentration risk.
- Climate Data Integration: Use of AI climate models to improve risk selection.